

BEFORE THE TENNESSEE REGULATORY AUTHORITY AT

NASHVILLE, TENNESSEE

October 30, 2003

IN RE:

**PETITION OF KENTUCKY UTILITIES COMPANY FOR AN
ORDER AUTHORIZING THE ISSUANCE OF SECURITIES
AND THE ASSUMPTION OF OBLIGATIONS**

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**DOCKET NO.
03-00522**

ORDER APPROVING FINANCING TRANSACTIONS

This matter came before Director Pat Miller, Director Sara Kyle, and Director Ron Jones of the Tennessee Regulatory Authority (the "Authority" or "TRA"), the voting panel assigned to this docket, at the regularly scheduled Authority Conference held on October 6, 2003 for consideration of the Petition of Kentucky Utilities Company ("KUC") for an order authorizing the assumption of long-term secured debt obligations, required by Tenn. Code Ann. § 65-4-109.

Statutory Framework

Pursuant to Tenn. Code Ann. § 65-4-109,

No public utility shall issue any stocks, stock certificates, bonds, debentures, or other evidences of indebtedness payable in more than one (1) year from the date thereof, until it shall have first obtained authority from the [TRA] for such proposed issue. It shall be the duty of the [TRA] after hearing to approve any such proposed issue maturing more than one (1) year from the date thereof upon being satisfied that the proposed issue, sale and delivery is to be made in accordance with law and the purpose of such be approved by the [TRA].

Petition

KUC is an electric utility primarily serving customers in Kentucky, with only five customers in the state of Tennessee. In its Petition, filed with the TRA on September 16, 2003, KUC seeks approval from the TRA to obtain long-term secured debt financing at various times during the period ending December 31, 2004 from its affiliate Fidelia Corporation ("Fidelia") in an aggregate amount not to exceed \$100 million. KUC will only proceed with this long-term debt financing if the interest rate is equal to or lower than the rate the company could obtain on its own in the capital markets. KUC intends to use the proceeds from this long-term debt financing to convert variable-rate short-term debt to fixed-rate long-term debt, to retire maturing long-term debt, to replace working capital from its temporary and expiring accounts receivable program, and to meet the cost of compliance with its pollution-control program.

KUC has previously received authorization from the Federal Securities and Exchange Commission ("SEC") to engage in both long-term unsecured and secured loan transactions and a similar petition to assume long-term secured debt obligations was approved by the Kentucky Public Service Commission on September 22, 2003 in Docket No. 2003-00301.

October 6, 2003 Authority Conference

At the October 6, 2003 Authority Conference, the Directors voted unanimously to approve the Petition upon a finding that the proposed transaction will be made for a proper purpose and in accordance with Tennessee laws.

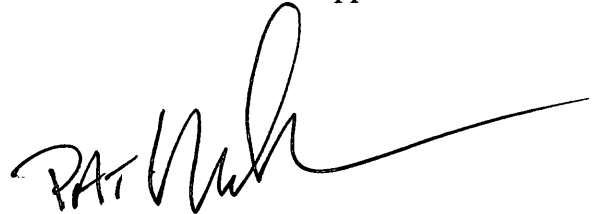
IT IS THEREFORE ORDERED THAT:

1. KUC is authorized to obtain from Fidelia long-term debt financing at various times during the period ending December 31, 2004, in an aggregate amount not to exceed \$100 million.

2. The terms of said secured long-term debt financing shall be as described in the Petition on file with the TRA.

3. KUC is authorized to execute, deliver, and perform its obligations under, *inter alia*, the loan agreement with Fidelia, the notes, and other such agreements and documents as set out in its Petition, and to perform the transactions contemplated by such agreements.

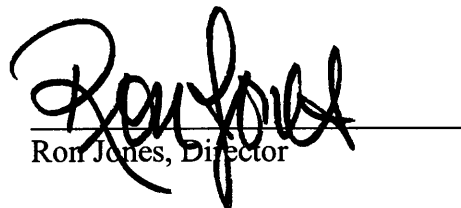
4. The authorization and approval given hereby shall not be used by any party, including, but not limited to, any lending party, for the purpose of inferring an analysis or assessment of the risk involved to a purchaser of any KUC securities. Nothing contained herein creates or is intended to create any liability on the part of the Tennessee Regulatory Authority, the State of Tennessee, or any political subdivision thereof for the transaction approved herein.

A handwritten signature in black ink, appearing to read "PAT Miller", with a long horizontal flourish extending to the right.

Pat Miller, Director

A handwritten signature in black ink, appearing to read "Sara Kyle", with a horizontal line underneath.

Sara Kyle, Director

A handwritten signature in black ink, appearing to read "Ron Jones", with a horizontal line underneath.

Ron Jones, Director